May 24, 2001
Sumitomo Mitsui Banking Corporation
(former The Sakura Bank, Limited)
Nonconsolidated, Unaudited

Notes to Nonconsolidated Balance Sheet

1. Amounts less than one million have been omitted.
2. Trading account positions relating trades made for the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from gaps among markets are included in Trading assets and Trading liabilities on a contract date basis.
   Trading securities and monetary claims purchased for trading purposes are stated at market value and financial derivatives related to trading transactions are at the amounts that would be settled if they were terminated at the end of the fiscal year.
3. In this notes *other securities* are defined as the securities excluding those classified as held-to-maturity, those for trading purposes, and subsidiaries/affiliates stocks. Held-to-maturity securities are carried at amortized cost determined by the moving average method. Stocks of subsidiaries, affiliates, etc. and those of associates, etc. are carried at cost determined by the moving average method. *Other securities* are carried at cost or amortized cost determined by the moving average method. Valuation of securities held in individually managed money trusts for asset management purposes are determined by the same method.
4. Derivative transactions other than those for trading purposes are accounted by the fair value method.
5. Depreciation of Premises and equipment is computed by the declining balance method (except for that of buildings which is computed by the straight-line method.)
   Depreciation of buildings (which were acquired on or before Mar. 31, 1998), building fixture and structures was computed by the declining balance method before this term. We reviewed the actual condition of buildings and related assets and observed that they had been consistently used for branch offices and other purposes over a long period of time. As a result, we found that the straight-line method, which calculates level depreciation charges over their useful lives, is more reasonable method to reflect profit & loss for each accounting term more properly. Accordingly, we have changed the depreciation method to the straight-line method from this fiscal year. As a result of this change, Operating profit and Income before income taxes for this fiscal year increased by JPY 1,482 million respectively from the corresponding amount which would have been recorded if the declining balance method was adopted.
   The estimated useful lives of major items are as follows.

Buildings	10 to 50 years
Equipment	5 to 20 years

6. Capitalized software for internal use is amortized by the straight-line method based on the Bank's estimated useful life (five years).
7. Bond-issuance costs are charged to expense as they are incurred.
8. Assets and liabilities denominated in foreign currencies and the accounts of overseas branches are translated into

yen at the exchange rates prevailing at the balance sheet date.

9. Reserve for possible loan losses of the Bank has been established based on the Bank's internal rules for establishing a reserve for possible loan losses using the following method.

   Customers are initially classified into ten categories in accordance with the Bank's own credit rating system. All claims that the Bank extended to its customers are classified into five categories for self-assessment purposes such as 'claims on normal borrowers' 'claims on borrowers requiring caution,' 'claims on potentially bankrupt borrowers,' 'claims on effectively bankrupt borrowers' and 'claims on bankrupt borrowers,' as defined by the report of the JICPA.

   For 'claims on normal borrowers' and 'claims on borrowers requiring caution' categories, the reserve for possible loan losses is calculated based on the specific actual past loss ratio.

   For 'claims on potentially bankrupt borrowers' category, the reserve for possible loan losses is calculated based on the residuals considering the debtor's ability to pay, which residual is debt amount after deducting the recoverable value from disposition of collateral and enforcement of any guarantee.

   For 'claims on effectively bankrupt borrowers' and 'claims on bankrupt borrowers' categories, the reserve for possible loan losses is the amount in excess of estimated value of collateral or guarantees from the book value after deducted directly the way below mentioned.

   For foreign claims, a reserve is provided for loans to restructuring countries based on losses estimated by considering political and economic situations in those countries.

   All claims are being assessed by the branches and credit supervision divisions based on the Bank's internal rules for the self-assessment of asset quality. The Asset Review and Inspection Division, which is independent from branches and credit supervision divisions, conducts audits of these assessments.

   For collateral or guaranteed claims on 'bankrupt borrowers' and 'effectively bankrupt borrowers' the amount exceeding the estimated value of collateral or guarantees is deducted, as deemed uncollectible, directly from those claims. The deducted amount is JPY 888,732 million.

10. Reserve for employee retirement benefit is provided for employees' retirements and the related provision is stated based on the estimated liability for retirement benefits and pension plan assets at the end of this fiscal year.

    Unrecognized net actuarial gain or loss are amortized from the next fiscal year.

    The transition difference caused by the new accounting standard (JPY 181,806 million) is amortized over five years and charged.

11. Reserve for possible losses on loans sold represents the amount that the Bank recognized as necessary for possible losses arising from loans sold to the CCPC (Cooperative Credit Purchasing Company) after considering the values of the real estate mortgaged for those loans and estimating the possibility of future losses on those loans.

    Reserve for possible losses on loans sold is established in accordance with Article 287-2 of the Commercial Code.

12. Finance Leases, except for leases which transfer the ownership to the lessee, are treated as rental transactions.

13. In applying the hedge accounting, we adopt 'macro hedge' which is the method to manage aggregate interest rate risks arising from numerous financial assets and liabilities such as loans, deposits by using derivatives. The method is a type of the deferral hedge accounting method and based on risk management strategy called the risk-adjusted approach defined in 'Tentative Accounting and Auditing Treatments in Applying Accounting Standard for Financial Instruments to the Banking Industry' published by JICPA. We evaluate effectiveness of hedges by examining whether risk exposures of derivatives, serving as the means to adjust risks, are within risk limits determined in the risk-management policy and also whether hedged interest rate risk exposure are reduced.

    For certain assets and liabilities, the regular deferral hedge accounting method or the exceptional hedge accounting method of interest rate swaps is applied.

14. Consumption tax and local consumption tax are excluded from the amount of transactions subject to these taxes.
15. Other reserve required by Special Law is as follows:

    Reserve for financial futures transaction liabilities: JPY9 million

    This reserve was established in accordance with Article 82 of the Financial Futures Transaction Law.

16. Stocks includes JPY 42 million of treasury stock. It does not include treasury stock defined by Article 210-2-2-3 of the Commercial Code.
17. Total value of the stocks of subsidiaries amounts to JPY 216,175 million.
18. Total value of claims on subsidiaries amounts to JPY 455,413 million.
19. Total value of liabilities to subsidiaries amounts to JPY 1,054,899 million.
20. Accumulated depreciation of the Bank's premises and equipment amounts to JPY 229,232 million.
21. Advanced depreciation of the Bank's premises and equipment amounts to JPY 30,234 million.
22. In addition to the Bank's Premises and equipment on the balance sheet, a part of the electronic computer systems are in use by lease.
23. Loans and bills discounted includes:

Bankrupt loans:	JPY 174,814 million
Non-accrual loans:	JPY 849,931 million

    The amount of 'Bankrupt loans' corresponds to that of 'claims on bankrupt borrowers'in the self-assessment asset quality guidelines, and the amount of 'Non-accrual loans' corresponds to the total of 'claims on effectively bankrupt borrowers' and 'claims on potentially bankrupt borrowers' in the self-assessment asset guidelines. Receivable on these loans is not accrued as interest income.

24. Past due loans (3 months or more) amount to JPY 65,737 million.

    Past due loans (3 month or more) consist of loans of which principal and/or interest is three months or more past due but exclude 'Bankrupt loans' and 'Non-accrual loans.'

25. Restructured loans amount to JPY 124,600 million.

    Restructured loans are loans in respect of which the Bank is relaxing lending conditions such as the reduction of the original interest rate, forbearance of interests payments and principal repayments to support the borrowers' reorganization but exclude 'Bankrupt loans', 'Non-accrual loans' and 'Past due loans (3 months or more).'

26. The total of 'Bankrupt loans', 'Non-accrual loans', 'Past due loans (3 months or more)' and 'Restructured loans' amount to JPY 1,215,082 million. The amount listed in item 23 to 26 represents the contractual principal amount before deducting the reserve for possible loan losses.

27. Total face value of banker's acceptances, commercial bills and documentary bills of exchange purchased is JPY 790,565 million.

28. Assets pledged as collateral:

Securities:	JPY 1,846,734 million
Loans and bills discounted:	JPY 701,282 million

Liabilities corresponding to assets pledged:

Deposits:	JPY 56,112 million
Call money:	JPY 823,300 million
Bills sold:	JPY 1,287,700 million
Borrowed money:	JPY 13,687 million

In addition, JPY 3,010,723 million of Securities, JPY 393,511 million of Loans and bills discounted are pledged as collateral for cash settlement and replacement of margin for future tradings, etc.

29. Net of profit & loss or evaluation gain/loss related to hedging instruments is carried as Deferred profit on hedge. The gross deferred losses on hedge and the gross deferred profits on hedge are JPY 187,117 and JPY 208,206 million respectively.

30. Based on 'The Ordinance Concerning Special Bases of Taxation of Enterprises Taxes for Banks in Osaka' (2000, Osaka Ordinance No. 131) issued on June 9, 2000, the normal statutory tax rate for the computation of deferred tax assets and liabilities decreased from 39.62% to 39.20%. This change decreased the amount of Deferred tax assets by JPY 5,616 million and increased Income taxes, Deferred in this fiscal year by the same amount. The amount of Deferred tax liabilities related to land revaluation decreased by JPY 294 million and increased Land revaluation excess by the same amount.

31. Under the Revaluation Act of Land Properties, effective on March 31, 1998, the Bank elected the one-time revaluation for its own-use land to current value based on real estate appraisal information as of March 31, 1998. The amount equivalent to the tax on the revaluation is provided as Deferred tax liability for land revaluation, and the remaining amount after the deferred tax liability is included in stockholders' equity as Land revaluation excess.

The date of land revalued: March 31, 1998

The revaluation of land used for banking business was rationally made, reflecting appropriate adjustments for land shape, timing of the appraisal, etc., based on the appraisal reports for real estate issued by real estate appraisers under 'the Cabinet Ordinance for Enactment of the Revaluation Act of Land Properties'.

The difference between the market value of land used for banking business at the balance sheet date and the book value of land used for banking business after revaluation: JPY 29,099 million

32. At the balance sheet date, the balance of subordinated debt included in Borrowings from other banks is JPY 1,318,762 million.

33. At the balance sheet date, the balance of subordinated bond included in Bonds is JPY 150,000 million.

34. Preemptive rights on common stock given for board members and employees with Article 280-19-1 of the Commercial Code are as follows:

Stock option which was granted at August 23, 1999

Kinds of stock	Par-value common stock
Number of stocks	279,000
Issue price per share	JPY 674

Stock option which was granted at June 29, 2000

Kinds of stock	Par-value common stock
Number of stocks	291,000
Issue price per share	JPY 772

35. Net profit per share is JPY 17.28

36. Market value and unrealized gain/loss on securities are shown as below.

These amounts include Japanese government bonds, Japanese local government bonds, Corporate bonds, Stocks, Other securities, Trading securities, negotiable certificates of deposits and commercial paper in Other trading assets, negotiable certificates of deposits in Due from banks, and commercial paper in Debt purchased. This definition is applied up to 39.

Securities classified as trading	(Millions of yen)
Balance sheet amount	422,353
Gains included in profit/loss during this fiscal year	177

Stocks of subsidiaries or affiliates which have market value

	Balance sheet amount	Market value	Net unrealized gain/loss
Stocks of subsidiaries	64,337	68,556	4,219
Stocks of affiliates	-	-	-
Total	64,337	68,556	4,219

Other securities which have market value

Other securities which have market value are not stated at market value. Summary information on them based on Ordinance of Ministry of Finance 8-4 in 2000 are shown in the following table:

	(Millions of yen)
Balance sheet amount	9,316,509
Market value	8,969,881
Difference	(346,628)
Net unrealized gain/loss on valuation	(210,750)
Equivalents of Deferred tax assets	135,878

37. Amount of *other securities* sold during this fiscal year is as follows.

(Millions of yen)

Sales Amount	Gains on sale	Losses on sale
9,422,647	174,857	33,398

38. Summary information on securities which have no market value is shown in the following table.

	(Millions of yen)
Bonds classified as held-to-maturity	
Non-listed foreign securities	7,094
Stocks of subsidiaries or affiliates	
Stocks of subsidiaries	260,060
Stocks of affiliates	6,391
Other securities	
Non-listed bonds	312,785
Non-listed stocks (except OTC stocks)	94,205
Non-listed foreign securities	52,917

39. Redemption schedule on *other securities* which have maturities and bonds classified as held-to-maturity is shown in the following table.

(Millions of yen)

	1 year or less	1 to 5 years	5 to 10 years	over 10 years
Bonds	2,368,715	1,798,836	964,878	–
Japanese government bonds	2,343,951	1,473,518	851,567	–
Japasese local government bonds	2,271	26	3,089	–
Japanese corporate bonds	22,492	325,291	110,221	–
Other	363,023	263,929	146,705	146,528
Total	2,731,739	2,062,766	1,111,583	146,528

40. Information on Money held in trust is shown as follows:

Other money held in trust

Market value is not reflected on nonconsolidated financial statement. Summary information on other money held in trust is shown in the following table:

	(Millions of yen)
Balance sheet amount	22,208

Market value	22,677
Difference	468
Gain	494
Loss	25
Net unrealized gains	285
Deferred tax liabilities	183

41. JPY 292,171 million of securities which are used for securities lending transactions for consumption, are included in Japanese government bonds, Japanese local government bonds, Securities in custody and Trading securities. Due to the revision of accounting rule, the presentation of these securities has been changed from Securities lent as a sub-account of Securities to appropriate sub accounts such as Japanese government bonds, Local govermanet bonds respectively. JPY 2,025 million of securities are used for securities lending transactions for use at the balance sheet date.
42. Commitment line contracts on overdrafts and loans are the agreements to lend to customers when they apply for borrowing, to the previously prescribed amount as long as there is no violation of condition established in the contracts. The amount of commiments without being drawn upon is JPY 6,553,947 million, and the amount of unused commiments whose original contract terms are within one year or unconditionally cancelable at any time is JPY 6,019,088 million. Since many of these commitments expire without being drawn upon, the amount of unused commitments does not necessarily affect the Bank’s future cash flows. Many of these commitments have clauses that the Bank can reject the application from customers or reduce the contract amounts in case economic conditions are changed, the Bank needs to secure claims and others occur. In addition, the Bank requests the customers to pledge collateral such as premises and securities at conclusion of the contracts, and takes necessary measures such as grasping customers’ financial positions, revising contracts when need arises and securing claims after conclusion of the contracts.
43. Reserve for employee retirement benefit and pension assets (except unrecognized actuarial net gain or loss) deducted from it are as follows:

(Millions of yen)

	Lump-sum Payment Plan	Employee Pension Fund	Total
Reserve for employee retirement benefit (before deducting Pension asset in trust)	(37,917)	(21,457)	(59,374)
Pension assets (except unrecognized actuarial net gain or loss)	27,193	18,126	45,320
Reserve for employee retirement benefit (after deducting Pension asset in trust)	(10,724)	(3,330)	(14,054)

Information on projected benefit obligation and others at fiscal year end is shown as follows:

	(Millions of yen)
Projected benefit obligation	(581,938)
Pension assets (fair value)	357,633
Unfunded projected benefit obligation	(224,304)
Unrecognized net obligation from initial application of the new accounting standard for employee retirement benefit	145,445
Unrecognized actuarial net gain or loss	64,804
Net amount recorded on the balance sheet	(14,054)
Reserve for employee retirement benefit	(14,054)

44. Pledge money deposited in securities lending transactions which was formerly reported in ‘Deposit for security lending transaction’ (JPY 283,686 million at the balance sheet date) is included in ‘Other’ in Other liabilities from this fiscal year.

45. Payable caused in accounting securities and derivative transactions on a contract date basis is reported in ‘Payable for securities and derivative transactions’ separately from this fiscal year. The ‘Accounts payable for trading transaction’ (JPY 400,529 million at the balance sheet date) which was formaly presented is included in ‘Payabe for securities and derivative transactions.’

46. The Sakura Bank, Limited made a merger agreement with The Sumitomo Bank, Limited on May 22, 2000. Pursuant to the agreement which was approved at the ordinary general meeting of shareholders and the general meetings of class shareholders held on June 29, 2000 and June 28, 2000 respectively, the Sakura Bank, Limited merged with The Sumitomo Bank, Limited and transferred its assets, liabilities, all the claims and obligations to the bank as of April 1, 2001.